PKPF
USI Findings

- Initial Count: 9
- Revised Count: 4
- All findings were in the area of adequate documentation
- FAR 15.406-3—Documenting the negotiation

PKPF
USI Findings

- (1) PNM Missing--Contract value was less than $100,000
- (2) PNM not signed
- (3) PNM not clear on unit prices/quantities for the basic/option period
- (4) Statement regarding “fair and reasonable” price not included in PNM

PKPF
USI Findings

- HQ AFMC Price Negotiation Memorandum/Price Competition Memorandum (PNM/PCM) Guide available on web
- https://www.afmc-mil.wpafb.af.mil/HQ-AFMC/PK/pkp/pkpc/pnmpcm.htm

PKPF
USI Findings

- Content/documentation depends on the nature of the contractual action
- AFMCFARS Part 5315.406-90 specifies type of memorandums
- Specialized PNM Format (replaces AFMC Forms 829 and 829A)
- PNM
- PCM

PKPF
USI Findings

- Specialized PNM Format
  - For acquisitions between the micro-purchase ($2500) and simplified acquisition ($100,000) thresholds
  - At the discretion of PCO, this format may be used for acquisitions between the SAP and Truth in Negotiation Acts (TINA-$550,000) thresholds
  - For commercial acquisitions less than $5 million
- PNM
  - For noncompetitive actions
  - For source selection pricing actions where adequate price competition does not exist

PKPF
USI Findings

- PCM
  - For source selection pricing actions where adequate price competition exists
  - Other evaluation factors such as technical and past performance may be involved
- Abstract
  - For all awards where low price/technically acceptable is the only specified criteria, abstract may be used in lieu of PCM
  - Include on abstract who received award, statement of APC, and determination of price reasonableness

FORMULA PRICING AGREEMENTS (FPA)

- AFFARS 5315.407-90
  - Requirements
  - Responsibilities
- AFAA/Installation Report of Audit-May 2001
- Findings
  - Contracting personnel did not always properly/consistently establish, renegotiate, and use the two WR-ALC FPAs (Boeing and Lockheed)
  - Did not include all required FPA clauses in contracts

FPAs

- **What**: A negotiated document for the purchase of spare parts. It spells out a formula/methodology used by contractor to bid prices.
- **Purpose**: To price individual contract actions totaling less than $550,000
- **Advantage**: Reduce administrative costs and lead times associated with negotiation of numerous actions

FPAs

- Requirements:
  - Must be in writing and signed by PCO
  - Includes terms and conditions regarding application of the FPA and the expiration date
  - Identify all rates/factors covered
  - May include reference to FPRA (must prescribe effect/treatment of any changes to FPRA

FPAs

- Requirements (continued):
  - Provide for cancellation at the option of either party
  - Require contractor to notify PCO of any significant change in estimating/accounting system or cost/pricing data and describe the impact on FPA
  - Require contractor to identify in each proposal where the FPA is used and any items not priced under FPA

FPAs

- Requirements (continued)
  - FPA must be supported by cost/pricing data and a signed certificate of current cost/pricing data
  - Provide that documents priced with an FPA include
    - The statement at FAR 52.215.10, Price Reduction for Defective Cost or Pricing Data and
    - A clause incorporating the FPA by reference
  - FPA must be based on pricing methodology that ensures that unit prices are in proportion to the item's base cost

FPAs

- Responsibilities:
  - Contracting Officers shall:
    - Negotiate FPAs in compliance w/5315.490-2; this may be delegated to the ACO
    - Obtain field pricing support (audit/technical reports) in the evaluation of FPAs
    - Prepare PNM addressing pricing factors in each FPA

FPAs

- Responsibilities (continued):
  - Semi-annually request (through ACO) that DCAA determine if the contractor is in compliance w/FPA
  - Annually review each FPA to determine validity and renegotiate the FPA if appropriate
  - Determine effect of any changes on FPA and cancel, if appropriate, and notify interested parties

FPAs

- Responsibilities (continued):
  - Do Not use a cancelled FPA
  - When evaluating a proposal under an FPA,
    - ensure that the FPA applies to the items and determine reasonableness of discrete cost inputs and any non-covered costs
    - compare proposed prices with prior prices
    - determine price is “fair and reasonable”
    - ensure that action complies with terms of FPA

Forward Pricing Rate Agreement (FPRA)

- **What**: An agreement between a contractor and the government which identifies negotiated rates/factors
- **Purpose**: To be used in the formal negotiation process for any dollar amount

FPRA

- Requirements:
  - When cost or pricing data are required,
    - offerors are required to describe any FPRAs in each pricing proposal
    - identify the latest c/p data already submitted IAW the agreement.
    - certify that the FPRA, along with all other data submitted, is current, accurate, & complete.

FPRA

- Responsibilities:
  - PCO will use FPRA rates as basis for pricing all contracts, modifications, and other contractual actions
  - PCO will not require certification for the FPRA, specifically; certification for the contractual action covers the FPRA
  - ACO evaluates any changed conditions that may impact the FPRA
  - ACO shall notify all interested parties of any changes to FPRA